

## Message Text

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64

ACTION NEA-07

INFO OCT-01 SS-14 ISO-00 EUR-08 NSC-05 NSCE-00 INR-05

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 4978

C O N F I D E N T I A L CAIRO 6640

LIMDIS

E.O. 11652: GDS

TAGS: EAGR, EG

SUBJECT: COTTON - 1974-75 MARKET DISTRIBUTION

1. EMBOFF AND VISITING RESEARCH ANALYST VON NARDROFF MET WITH THE NEW DIRECTOR OF THE GENERAL ORGANIZATION FOR COTTON, MUSTAPHA MURAD, ON JULY 1. THE PURPOSE OF THE VISIT WAS TO CONFIRM UNOFFICIAL REPORTS THAT EGYPT HAD FINALLY SOLD ALL OF ITS 1974 COTTON HARVEST, MOSTLY TO THE SOVIET UNION AND OTHER EASTERN EUROPEAN COUNTRIES.

2. MURAD READILY ADMITTED THAT, BECAUSE OF LACK OF DEMAND IN THE FREE INTERNATIONAL MARKET, ONLY ABOUT 60,000 BALES DURING 1974/75 WERE SOLD IN THE QUOTE WEST UNQUOTE (WHICHIN HIS VERBAL NOMENCLATURE INCLUDES INDIA, JAPAN AND SEVERAL OTHER FAR EASTEN COUNTRIES AS WELL AS WESTERN EUROPE AND THE WESTERN HEMISPHERE). HE CONTRASTED THIS SITUATION WITH THE EXCELLENT 1973/74 MARKETING SEASON IN WHICH EGYPTIAN SALES TO THE QUOTEWEST UNQUOTE TOTALED 386,000 BALES. TOTAL OF ABOUT 600,000 BALES EXPORTED ANNUALLY.

3. THERE IS LITTLE DOUBT THAT THE USSR AND EASTERN EUROPE WERE DELIGHTED TO TAKE A LION'S SHARE OF THE 1974/75 CROP AT REDUCED PRICES, HAVING BEEN TAKEN TO THE CLEARERS BY THE EGYPTIANS IN THE PREVIOUS YEAR'S SELLER'S MARKET. IN 1973/74 THE USSR, FOR EXAMPLE, PAID AN AVERAGE OF L.E.453 PER BALE FOR A COMBINATION OF LONG AND MEDIUM STAPLE COTTON. UK, ON THE OTHER HAND, BUYING

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EXCLUSIVELY LONG STAPLE VARIETIES, PAID AN AVERAGE OF ONLY L.E.371

PER BALE. A COMPARISON OF OTHER SEGMENTS OF THE EASTERN EUROPEAN MARKET WITH HARD CURRENCY MARKETS IN 1973/74 CONSISTENTLY REVEALS A DISCREPANCY OF THIS MAGNITUDE IN PRICES.

4. COTTON SALES DATA FOR PREVIOUS YEARS INDICATE THAT INDIA TRADITIONALLY TAKES AT LEAST 60,000 BALES OF EGYPTIAN COTTON ANNUALLY. WHILE WE DO NOT HAVE 9174/75 FIGURES, WE SUGGEST THAT MOST OF EGYPT'S EXPORT TO THE WEST WENT TO THIS SOFT CURRENCY MARKET, MAKING HARD CURRENCY REVENUES FROM COTTON ALMOST NIL FOR JUST COMPLETED MARKETING SEASON.  
EILTS

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